

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0955-01
Bill No.: HB 282
Subject: Children and Minors; Health Care; Insurance - Medical; Insurance Dept.
Type: Original
Date: February 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Insurance Dedicated	\$8,000	\$0	\$0
Conservation Fund	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)
Total Estimated Net Effect on Other State Funds	(Unknown less than \$100,000)	(Unknown less than \$100,000)	(Unknown less than \$100,000)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS
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FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** and **Department of Mental Health** assume the proposal would not fiscally impact their organizations.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state the HCP currently offers plans that allow for hearing aids for its members at 20% coinsurance. Hearing aids are available every two years. Therefore, this proposal will not fiscally impact the HCP.

Officials from the **Department of Insurance (INS)** state the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the INS will need to request additional staff to handle the increase in workload. state the department estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

ASSUMPTION (continued)

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments and review, the INS will need to request additional staff to handle the increase in workload.

Officials from the **Missouri Department of Conservation (MDC)** state this proposal appears to have a fiscal impact on MDC funds since hearing aids for children are not presently covered by MDC's insurance. Officials estimate the impact to be less than \$100,000 annually.

Officials from the **Department of Public Safety - Missouri Highway Patrol** defer to the Department of Transportation for response regarding the fiscal impact of this proposal.

Officials from the **Department of Transportation (DOT)** state because the Highway & Patrol Medical Plan is currently required to cover the initial amplification for newborns who have a hearing loss detected within the first 3 months of birth only and does not currently cover replacement hearing aids or hearing aids for children who are not detected within the first 3 months of birth, this legislation will have a fiscal impact to the Medical Plan.

Statistics obtained from the Department of Elementary and Secondary Education's Special Education-Students with Disabilities Child Count as of 12/3/01 show that .14% of children 3-21 years of age are hearing impaired. This percentage is much less than what DOT assumed for prior proposed legislation. After speaking to Sue Hotto with Gallaudet Research Institute, DOT determined that statistics used in the past included the elderly population as well. Based on Gallaudet Research Institute's Regional and National Summary Report of Data from the 2001-2002 Annual Survey of Deaf and Hard of Hearing Children and Youth, 62.8% of children with hearing loss in the nation use hearing aids for instruction. Currently the Highway & Patrol Medical Plan has 5,985 children enrolled from birth through age 19 and on average have 315 new births added to our plan annually (5,985/19 years).

DOT also found in the Gallaudet Research Institute's Region and National Summary Report of Data from the 2001-2002 Annual Survey for the Deaf and Hard of Hearing Children and Youth that 42% of the children in the nation who are deaf and hard of hearing had an onset of hearing loss at birth. DOT is assuming that this is the percentage that would be identified with hearing loss by way of the newborn screenings and the children that the Medical Plan is currently responsible for covering their initial amplification effective January 1, 2002. According to this legislation, the deductible or co-payment cannot exceed 20% of the actual covered service cost, but the benefit payable for hearing aids may be limited to \$1,250 per hearing aid for each ear with a hearing loss and the health insurance carrier must provide coverage for replacement hearing aids every three years.

ASSUMPTION (continued)

DOT is assuming that the Medical Plan would cover the hearing aids 100% up to the \$1,250

maximum per hearing aid and that individuals will meet their \$1,250 limit. Based on information from Judy Bastean, DOT is also assuming that each individual will need two hearing aids.

Based on the above assumptions, DOT found that approximately 9 children covered under its medical plan would be hearing impaired ($5,985 \times 0.14\%$). Of these 9 children, DOT is assuming that approximately 6 would use hearing aids ($9 \times 62.8\%$). DOT is also assuming that the Medical Plan would have 1 child every 5 to 6 years born with hearing loss ($315 \times .14\% \times 42\%$). This 1 child is what the Medical Plan is currently responsible for coverage of their initial amplification. If the Medical Plan would have to provide coverage up to \$1,250 for hearing aids/hearing loss ear and replacement hearing aids every three years, the fiscal impact would be approximately \$12,500 every three years ($((6-1) \times (\$1,250 \times 2))$ or \$4,167 annually ($\$12,500/3$).

Seventy seven percent (77%) of the total participants in the Medical Plan are DOT participants and twenty three percent (23%) are Missouri State Highway Patrol (MHP) participants. (DOT = 10,078/13, 118 and MHP = 3,040/13, 118) As a result, \$3,209 of the annual fiscal impact is due to DOT participation ($\$4,167 \times 77\%$) and \$958 of the annual fiscal impact is due to MHP participation ($\$4,167 \times 23\%$).

Historically, the department and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the Medical Plan, Missouri Highway Transportation Commission, DOT, and MHP must make a decision on how to fund the increase resulting from the proposal.

Oversight assumes, based on the anticipated fiscal impact provided by DOT, that DOT funds would not be affected by the proposal.

Officials from the **Missouri Department of Conservation (MDC)** state this proposal appears to have a fiscal impact on MDC funds since hearing aids for children are not presently covered by the MDC's insurance plan. MDC officials estimate the impact to be less than \$100,000 annually.

This proposal would result in an increase in Total State Revenue.

FISCAL IMPACT - State Government

FY 2004
(6 Mo.)

FY 2005

FY 2006

INSURANCE DEDICATED FUND

HW-C:LR:OD (12/02)

Income - Department of Insurance

Policy form filing fees	<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
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**ESTIMATED NET EFFECT ON
INSURANCE DEDICATED FUND**

<u>\$8,000</u>	<u>\$0</u>	<u>\$0</u>
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CONSERVATION FUND

Costs - Missouri Department of
Conservation

	<u>(Unknown less</u>	<u>(Unknown less</u>	<u>(Unknown less</u>
Increase in contributions	<u>than \$100,000)</u>	<u>than \$100,000)</u>	<u>than \$100,000)</u>

**ESTIMATED NET EFFECT ON
CONSERVATION FUND**

<u>(Unknown less</u>	<u>(Unknown less</u>	<u>(Unknown less</u>
<u>than \$100,000)</u>	<u>than \$100,000)</u>	<u>than \$100,000)</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses with health plans would be expected to be fiscally impacted to the extent that they may incur changes in insurance premiums.

DESCRIPTION

This proposal requires health insurance entities to provide coverage for associated hearing evaluations, consumable supplies, and hearing aids for dependent children through 19 years of age who are covered by a health policy or health plan. Coverage will begin after January 1, 2004.

DESCRIPTION (continued)

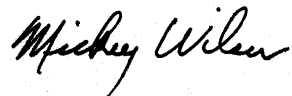
The proposal: (1) Specifies the type of hearing aid which will be covered. The hearing aid must be prescribed and dispensed by licensed professionals; (2) Requires that a replacement hearing aid for children will be covered once every three years; (3) Prohibits a health insurer or health plan from establishing a benefit cap for hearing aids less than \$1,250 per hearing aid, per ear. If

an enrollee chooses a more expensive hearing aid, the enrollee is required to pay the difference without a financial or contractual penalty being imposed upon the provider of the hearing aid. Health insurers or health plans are also prohibited from requesting hearing acuity information from enrollees; (4) Allows a health insurer or health plan to provide more favorable insurance coverage for hearing aids; (5) Specifies the total amount of the deductible or co-payment which enrollees are required to pay; (6) Exempts supplemental insurance policies; and (7) Authorizes the Director of the Department of Insurance to develop rules to implement the provisions of the proposal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Mental Health
Department of Social Services
Department of Public Safety -
 Missouri Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



Mickey Wilson, CPA
Director
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